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Keeping the World Flowing



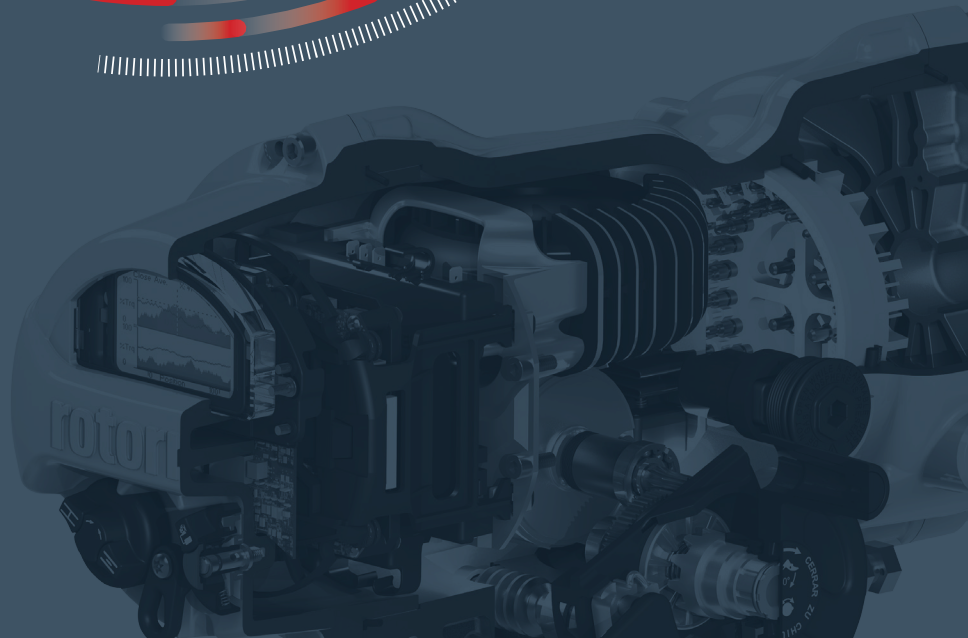
BUILDING A BOLD AND SUSTAINABLE FUTURE

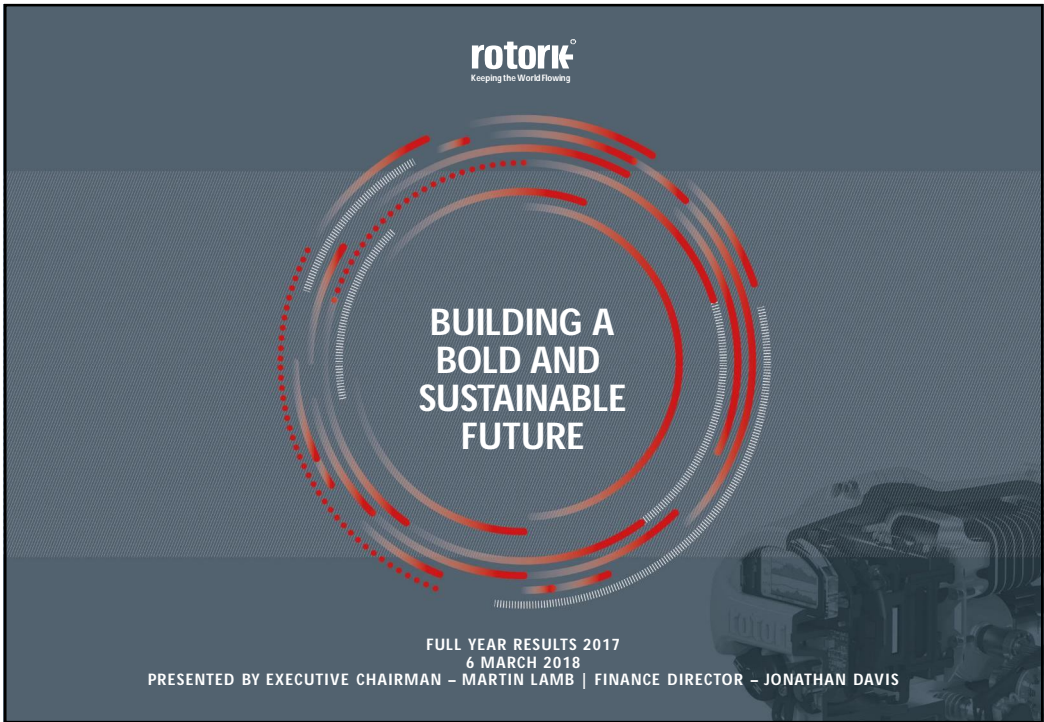
FULL YEAR RESULTS 2017

PRESENTED BY:

EXECUTIVE CHAIRMAN – MARTIN LAMB

FINANCE DIRECTOR – JONATHAN DAVIS





HIGHLIGHTS

PERFORMANCE

- Market outlook improving
- Increasing order book
- Growing contribution from new products and service
- Growth acceleration programme initiated
- Initial opportunities actioned
- Balance sheet strengthened with cash conversion of 109.1%

REVENUE £M

Year	H1	H2	Book to bill ratio
2013	270	300	1.1
2014	280	320	1.1
2015	270	290	1.0
2016	260	330	1.2
2017	300	370	1.2


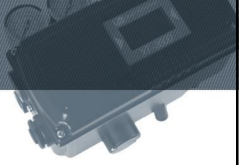
ADJUSTED OPERATING PROFIT £M

Year	H1	H2
2013	70	80
2014	70	80
2015	65	60
2016	50	70
2017	55	75

**NEW CHIEF EXECUTIVE
KEVIN HOSTETLER**

KEVIN HOSTETLER

- Passionate about product ✓
- Knows our market ✓
- Delivers transformational change ✓
- Leading edge management ✓
- Pace and commitment ✓

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**POSITIONING FOR
ACCELERATED PERFORMANCE**

- Detailed data capture and analysis workstreams underway
- Strong validation of growth and margin ambition
- Enthusiastic and extensive management participation

WORKSTREAM	STATUS
1) Market drivers and innovation funnel	Scoping overview complete
2) Operations footprint and supply chain	Scoping overview complete
3) Route to market	In progress
4) Global talent development review	In progress
5) IT strategic review	In progress



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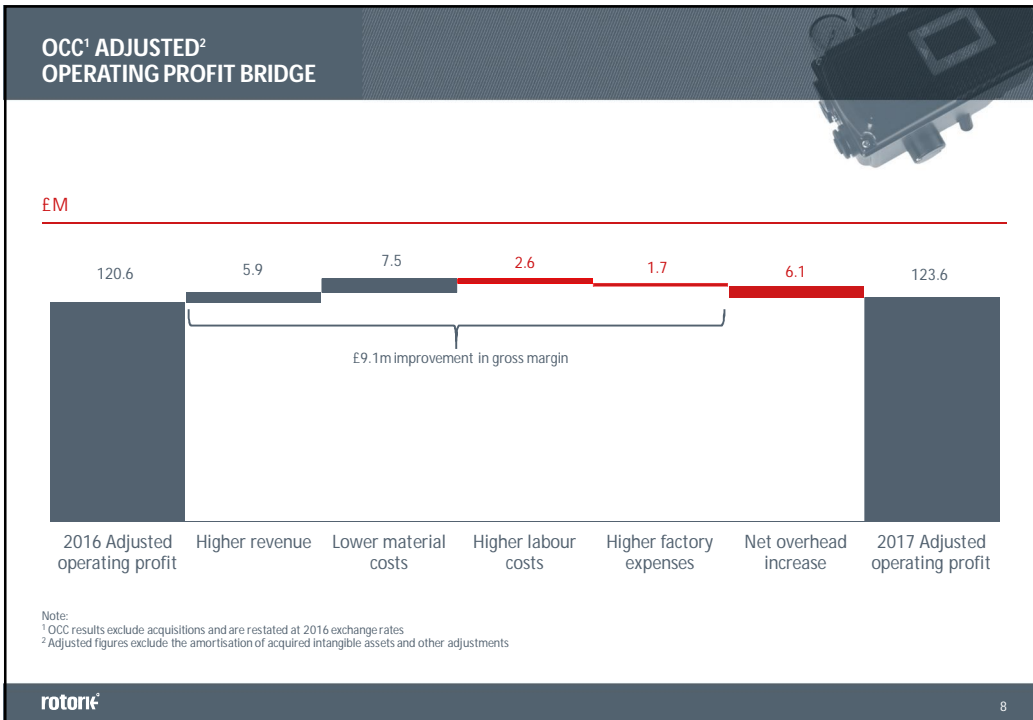
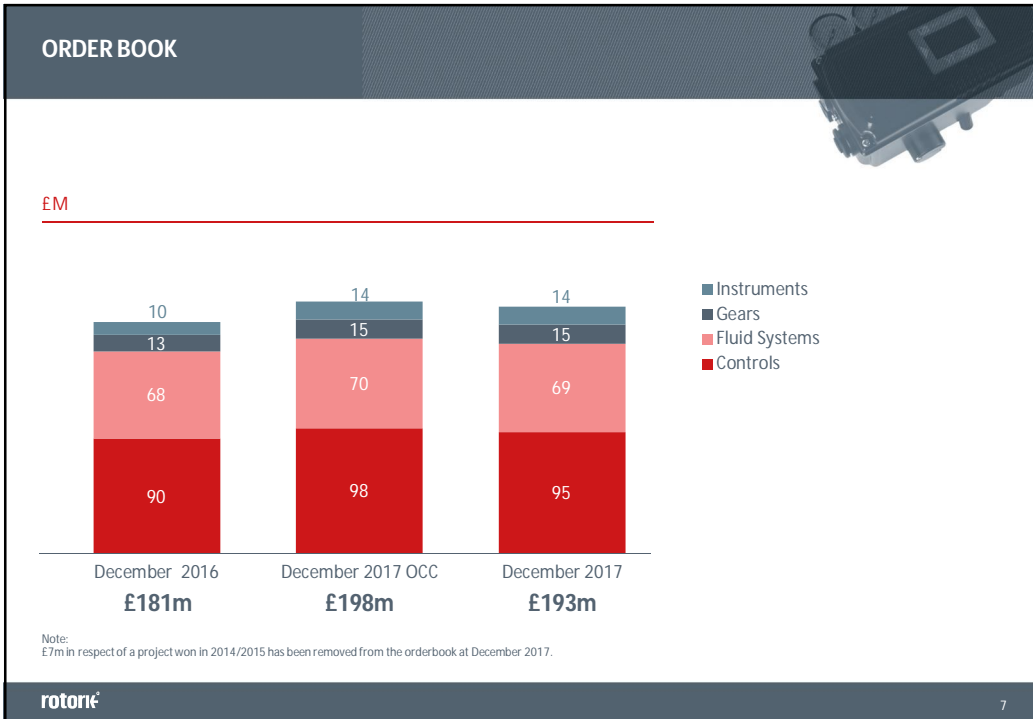


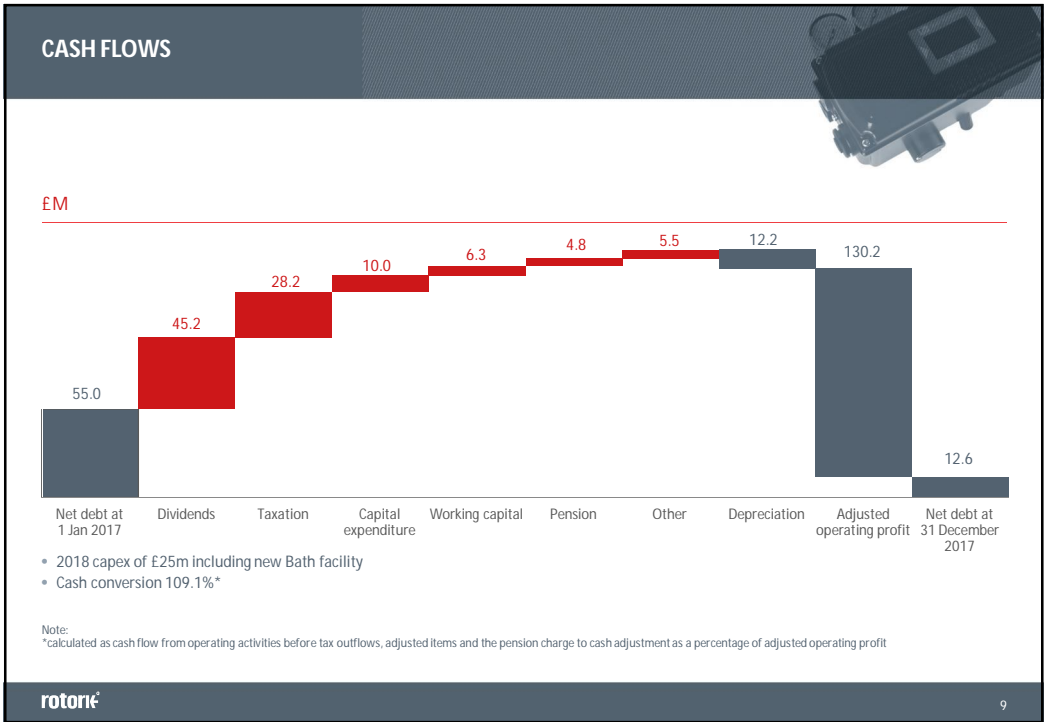
FINANCIAL REVIEW					
<ul style="list-style-type: none"> • Results in line with expectations • Order intake momentum • Currency impact c6% increase in order intake, revenue and operating profit 		2017	2016	%	OCC¹ %
	Order Intake	£667m	£577m	15.6%	8.2%
	Order Book	£193m	£181m	6.5%	9.5%
	Revenue	£642m	£590m	8.8%	2.3%
	Adjusted² Operating Profit	£130m	£121m	7.9%	2.5%
	Adjusted² Operating Margin	20.3%	20.4%	-10bps	+10bps
	Adjusted² EPS	10.6p	10.0p	6.0%	0.0%
	Full Year Dividend	5.4p	5.1p	5.9%	

Note:
¹ OCC results exclude acquisitions and are restated at 2016 exchange rates
² Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments

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BALANCE SHEET

£M	December 2017	December 2016
Total assets	738.6	775.4
Total liabilities	(281.4)	(341.3)
Equity	457.2	434.1
Net working capital	188.3	178.0
Pension deficit	48.2	58.5
Net debt	12.6	55.0
Net debt/EBITDA	$-0.1x$	0.4x
ROCE	25%	23%

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ADJUSTMENTS TO PROFIT		2017	2016
<ul style="list-style-type: none"> Bifold impairment reflects slower growth than acquisition case but confidence in acquisition undiminished Restructuring costs include <ul style="list-style-type: none"> Consultancy costs associated with the strategic review Redundancy costs from the reorganisation of operations in Germany and Italy Management team restructuring costs <p>Note: ¹ OCC results exclude acquisitions and are restated at 2016 exchange rates ² Adjusted figures exclude the amortisation of acquired intangible assets and other adjustments</p>	EM		
	Adjustments:		
	Goodwill impairment	21.6	-
	Release of contingent consideration	(10.0)	-
		11.6	-
	Restructuring costs	5.4	-
		17.0	-
	Amortisation of acquired intangible assets	27.2	26.8
	Amortisation of acquired intangible assets and adjustments	44.2	26.8

2018 GUIDANCE		ETR
<ul style="list-style-type: none"> 2017 headline ETR inflated by impact of adjusted profit items Normalised 2017 ETR is 26.3%, 10bps higher than 2016 but this includes 90bps charge due to US deferred tax rate change 2018 ETR forecast to drop 190bps as US deferred tax rate impact disappears and US corporate tax rates are lower Current exchange rates prevailing for all of 2018 would equate to a 4-5% headwind for the full year 1 cent movement – US\$: £400,000, Euro: £300,000 impact on operating profit 	2017 Headline effective tax rate (ETR)	31.0%
	Eliminate impact of adjustments to operating profit	(4.2%)
	Eliminate impact of intangible amortisation	(0.5%)
	2017 adjusted effective tax rate (2016: 26.2%)	26.3%
	Reverse impact of 2017 US deferred tax charge	(0.9%)
	Impact of 2018 lower US corporate tax rates	(1.0%)
	2018 forecast adjusted effective tax rate	24.4%

GROUP REVENUE

- Revenue increased across all divisions
- All end user markets up
- Upstream and Downstream positive
- Midstream down
- Good growth in Industrial Processes
- All regions up except Latin America

Oil and gas	2016	2017
Upstream	16%	17%
Midstream	13%	9%
Downstream	23%	24%
Contribution to Revenue	52%	50%

END DESTINATION (£M)

Region	2016	2017
N. America exc. Mexico	~140	~150
Asia Pacific/Far East	~150	~180
E. Europe	~30	~40
W. Europe	~100	~110
Latin America	~20	~25
Middle East/Africa	~60	~80
UK	~30	~35

END USER MARKET (£M)

Market	2016	2017
Oil & gas	~300	~320
Water	~70	~80
Power	~90	~100
Industrial	~80	~100
Other	~20	~25

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CONTROLS

EM	2017	2016	Change	OCC ¹ Change
Order intake	333.0	295.2	+12.8%	+6.9%
Revenue	325.2	298.4	+9.0%	+3.3%
Gross margin	51.9%	52.3%	-40bps	+30bps
Operating profit ²	92.9	87.3	+6.4%	+2.1%
Operating margin ²	28.6%	29.3%	-70bps	-40bps

- North America, Europe and Middle East positive
- Asia and Latin America challenging
- CK range market penetration
- Growth in HVAC and Industrial Processes
- Develop sales channels

Note:
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END USER MARKET

Market	2017	2016
Oil and gas	44%	45%
Water	18%	18%
Power	20%	21%
Industrial	16%	14%
Other	2%	2%

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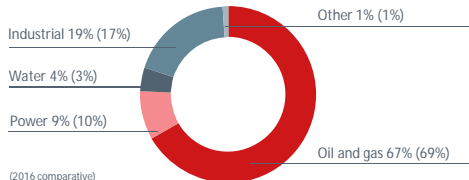
FLUID SYSTEMS

EM	2017	2016	Change	OCC ¹ Change
Order intake	160.1	134.7	+18.9%	+11.7%
Revenue	150.1	145.3	+3.3%	-2.8%
Gross margin	28.9%	27.9%	+100bps	+100bps
Operating profit ²	9.0	6.2	+45.9%	+33.0%
Operating margin ²	6.0%	4.3%	+170bps	+150bps


- Growth in upstream in Middle East and Europe
- Americas and Asia yet to pick up, affected by challenges in Midstream
- Downstream improved in China, India and Korea but lower in Middle East
- Water and industrial make gains, led by Europe
- Value engineering and low cost sourcing benefits
- Site consolidation


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END USER MARKET



(2016 comparative)




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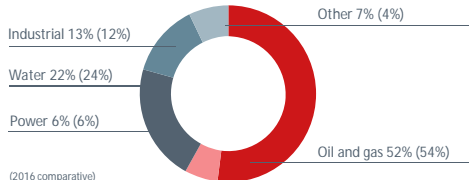
GEARS

EM	2017	2016	Change	OCC ¹ Change
Order intake	86.1	70.5	+22.1%	+6.1%
Revenue	83.9	72.4	+15.9%	+3.3%
Gross margin	33.8%	35.0%	-120bps	+30bps
Operating profit ²	15.7	14.1	+11.9%	+6.5%
Operating margin ²	18.7%	19.4%	-70bps	+60bps


- Mastergear synergies
- Industrial positive
- Modest increases across Downstream, Power and Water
- North America and Asia strongest regions
- Leverage broader product range
- Addition of intelligence to products


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END USER MARKET



(2016 comparative)

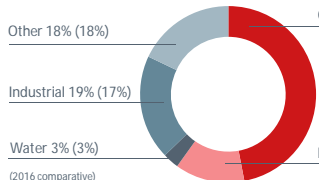



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INSTRUMENTS

EM	2017	2016	Change	OCC ¹ Change
Order intake	104.5	92.5	+13.0%	+8.8%
Revenue	100.6	91.2	+10.4%	+6.1%
Gross margin	43.2%	43.7%	-50bps	-80bps
Operating profit ²	20.5	20.1	+1.6%	-4.4%
Operating margin ²	20.3%	22.1%	-180bps	-220bps

END USER MARKET





Oil and gas	47% (50%)
Industrial	19% (17%)
Power	13% (12%)
Water	3% (3%)
Other	18% (18%)

(2016 comparative)

- Growth across Water, Power and Industrial Process markets
- Asia, America and Middle East strong
- Product range expansion and new Bifold products
- Rotork synergies
- Brand harmonisation
- Sales channel development

Note:
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SITE SERVICES


2017 ACTIVITY

- 10% more qualified service engineers, >480
- 8% more actuators under some form of maintenance agreement, now nearly 183,000

OPPORTUNITIES

- Strengthening of global presence
- Client Support Programme
- Intelligent Asset Management




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MARKET ENVIRONMENT

- Oil and gas market improving
- Return to historic patterns for smaller to mid size projects
- Larger projects remain patchy
- Upstream oil and gas market particularly active in USA and Middle East
- Water, HVAC and Industrial Processes showing steady growth

2017 REVENUE SPLIT

Sector	2017 Revenue (%)	2016 Comparative (%)
Other	5%	5%
Upstream	17%	16%
Midstream	9%	13%
Downstream	24%	23%
Power	15%	15%
Water	13%	13%
Industrial	17%	15%

(2016 comparative)

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POSITIONING FOR ACCELERATION BUSINESS WORKSTREAMS		
WORKSTREAM	STATUS	
1) Market drivers and innovation funnel	Scoping overview complete	<ul style="list-style-type: none"> Long-term growth ambition confirmed Priority end markets and geographies understood Technology roadmap well populated Market win strategies being formulated and prioritised
2) Operations footprint and supply chain	Scoping overview complete	<ul style="list-style-type: none"> Scale of cost and working capital savings confirmed More than sufficient to fund investments for growth Footprint and back office consolidation Supply chain rationalisation Modular product portfolio Integrated business processes Initial opportunities actioned
3) Route to market	In progress	<ul style="list-style-type: none"> Distinct sales channels clearly identified Voice of customer to be extensively mapped Quick response and reduced lead times targeted Commercial organisation structure to be realigned
4) Global talent development review	In progress	<ul style="list-style-type: none"> Talent gaps and development requirements understood Resource plan being formulated Key talents already added
5) IT strategic review	In progress	<ul style="list-style-type: none"> Requirements being driven by RTM and operations reviews Investments focussed around growth and margin priorities

POSITIONING FOR ACCELERATION MARKET DRIVERS AND INNOVATION	
MARKET DRIVERS	INNOVATION FUNNEL
Population growth/ongoing urbanisation <ul style="list-style-type: none"> Demand for oil and gas remains strong Population growth and urbanisation is driving demand for investment in water and power infrastructure In industrial processes, greater automation is required to improve efficiency and precision 	Enhanced process controls Remote communications Data and system analytics Energy efficiency
Lower cost/greater efficiency <ul style="list-style-type: none"> 'Lower for longer' oil price places cost reduction at top of agenda across value chain, opportunities for differentiation Drive to cap increases in utility prices requires cost reduction and increased efficiency 	
Real time data and fast response <ul style="list-style-type: none"> Industrial market at most advanced stage Digitalisation in power likely to extend from power block to remainder of plant Oil and gas industry developing ambitious digital agendas Water industry at less advanced stage 	
Regulatory and environmental change <ul style="list-style-type: none"> Requirement to reduce energy consumption and methane emission Water quality, reuse and sludge treatment 	

NEXT STEPS

- Workstream scoping reviews complete end of Q2
- Formulation of growth acceleration plan to follow guiding principles:
 - Meet stated ambition
 - Smoothed approach to underlying earnings
 - Cash costs of restructuring met through working capital improvements
 - Open and transparent communication of progress
- Further update planned for August



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OUTLOOK

- Improving end markets
- Expect organic revenue growth of mid to high single digit, partially offset by currency headwinds
- Margins similar to last year
- H1 one off costs similar to 2017
- Update on growth acceleration plans in August



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APPENDICES

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ANALYSIS OF MOVEMENTS

EM	2017 at OCC ¹	Acqn. benefit	2017 at 2016 Rates	FX benefit	2017 as Reported	2016
Order intake	624.1	7.4	631.5	35.0	666.5	576.6
	+8.2%	+1.3%		+6.1%	+15.6%	
Revenue	603.4	5.4	608.8	33.4	642.2	590.1
	+2.2%	+0.9%		+5.7%	+8.8%	
Adjusted² operating profit	123.6	0.0	123.6	6.6	130.2	120.6
	2.5%	0.0%		+5.5%	+8.0%	
Adjusted² operating margin	20.5%		20.3%		20.3%	20.4%
	+10 bps	+20 bps	-10 bps	0 bps	-10 bps	

- Revenue split 43% US\$, 32% Euro, 15% GBP and 14% other currencies
- Adjustments relate to intangible amortisation of £27.2m (2016: £26.8m), impairment of goodwill £21.6m (2016: nil), release of Bifold contingent consideration provision of £10.0m (2016: nil) and restructuring costs £5.4m (2016: nil).

Note:

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CONSTANT CURRENCY ANALYSIS

EM	2017 as Reported		Adjust to CC	2017 at 2016 rates		Remove Acqn.	2017 at OCC ¹		2016	
Revenue	642.2		(33.4)	608.8		(5.4)	603.4		590.1	
Cost of Sales	(358.1)		20.9	(337.2)		4.6	(332.6)		(328.4)	
Gross Profit	284.1	44.2%	(12.5)	271.6	44.6%	(0.8)	270.8	44.9%	261.7	44.3%
Overheads	(153.9)	24.0%	5.9	(148.0)	24.3%	0.8	(147.2)	24.4%	(141.1)	23.9%
Adjusted² operating profit	130.2	20.3%	(6.6)	123.6	20.3%	-	123.6	20.5%	120.6	20.4%

- OCC¹ gross margins increased 60bps
- OCC¹ overheads increased 50bps
- OCC¹ net margin 10 bps higher

Note:

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ADJUSTED OPERATING MARGINS

EM	H1 2017	H2 2017	FY 2017	FY 2017 OCC ¹	FY 2016
Controls	26.4%	30.4%	28.6%	28.9%	29.3%
Fluid Systems	1.6%	9.7%	6.0%	5.8%	4.3%
Gears	15.7%	21.6%	18.7%	20.0%	19.4%
Instruments	20.5%	20.1%	20.3%	19.9%	22.1%
Group	18.2%	22.1%	20.3%	20.5%	20.4%

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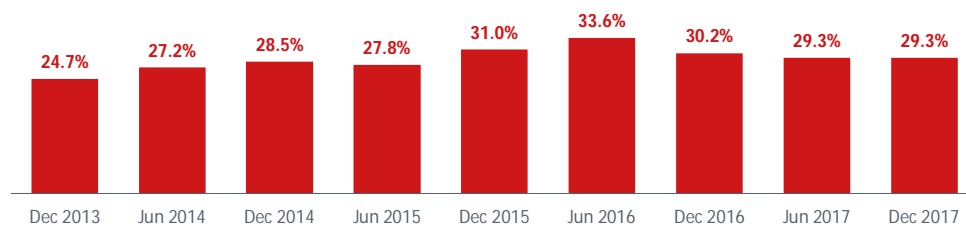
EARNINGS PER SHARE

£M	2017	2016	Change
PBT as reported (£m)	80.6	91.1	-11.5%
Adjusted ² PBT (£m)	124.8	117.9	+5.8%
Effective tax rate	31.0%	26.2%	
Adjusted effective tax rate	26.3%	26.2%	
Basic EPS as reported	6.4p	7.7p	-16.9%
Adjusted ² basic EPS	10.6p	10.0p	+6.0%

Note:

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WORKING CAPITAL



£M	Dec 2016	% Revenue	Dec 2017	% Revenue
Inventory	85.8	14.5%	91.9	14.3%
Trade Receivables	131.9	22.4% (61 D.S.O.)	145.5	22.7% (63 D.S.O.)
Trade Payables	(39.7)	6.7%	(49.2)	7.7%
Net Working Capital	178.0	30.2%	188.2	29.3%

Note:

¹ OCC results exclude acquisitions and are restated at 2016 exchange rates

EXCHANGE RATES

	US\$	Euro
Average rates		
H1 2016	1.43	1.29
Full Year 2016	1.36	1.22
H1 2017	1.26	1.16
Full Year 2017	1.29	1.14
+ = GBP STRENGTHENING / - = GBP WEAKENING		
H1 2017 v H1 2016	-12%	-10%
FY 2017 v FY 2016	-5%	-7%
Period end rates		
December 2016	1.24	1.17
June 2017	1.30	1.14
December 2017	1.35	1.13
+ = GBP STRENGTHENING / - = GBP WEAKENING		
December 2017 v December 2016	+9.5%	-3.8%

DIVIDENDS

Core Dividend	Month Paid / Payable	Amount (pence)	Cost (£m)
2015 Final	May 2016	3.10p	27.0
2016 Interim	September 2016	1.95p	16.9
Paid in 2016		5.05p	43.9
2016 Final	May 2017	3.15p	27.4
2017 Interim	September 2017	2.05p	17.8
Paid in 2017		5.20p	45.2
2017 Final		3.35p	29.2

- 2017 final dividend increased by 6.3% to 3.35 pence
- Dividend cover 1.2 times (adjusted cover 2.0 times)

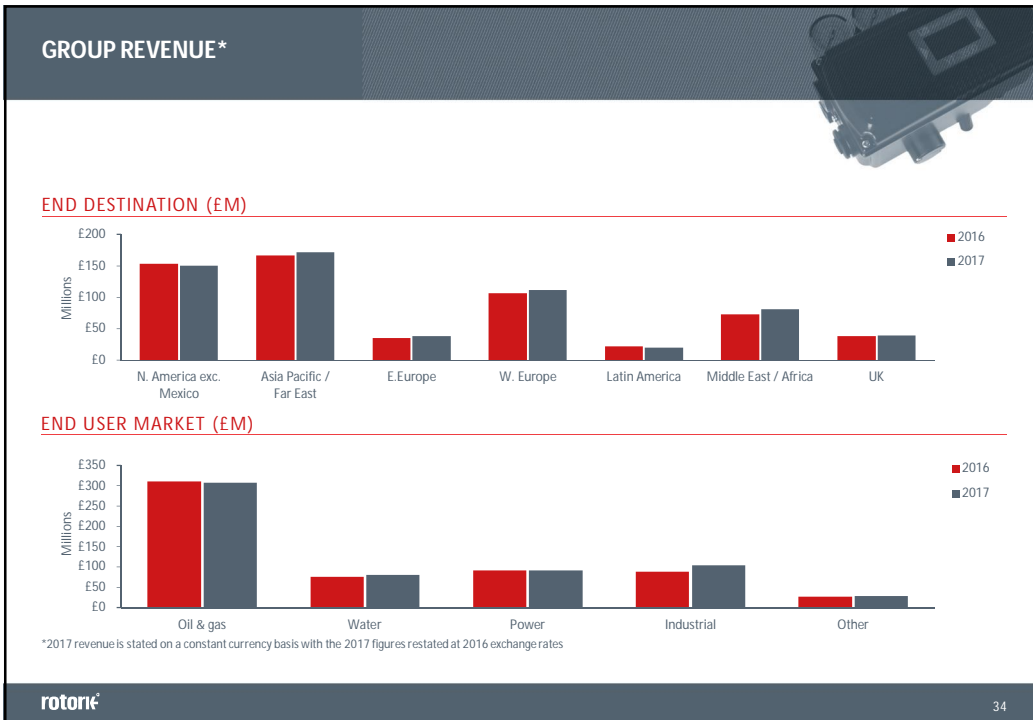
REVENUE ANALYSIS

By division (%)	Controls	Fluid Systems	Gears	Instruments	Total
2017	50.6	23.4	11.3	14.7	100.0
2016	50.6	24.6	10.3	14.5	100.0

By end user market (%)	Oil & Gas	Power	Water	Industrial	Other	Total
2017	50.5	14.9	13.1	17.0	4.5	100.0
2016	52.4	15.4	12.9	14.7	4.6	100.0

By end destination (%)	Asia Pac / Far East	Europe	Middle East / Africa	N. America exc. Mexico	UK	Eastern Europe	Latin America
2017	28.0	18.3	13.4	24.6	6.0	6.5	3.2
2016	28.2	17.9	12.2	26.0	6.3	5.8	3.6

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